

**Certificate of Need Application
Supplemental Information
Finance Section**

This document has been created to provide additional information for completing the finance section of a Certificate of Need Program application. Individuals responsible for completing the finance portion should use the following information to assist in the completion of an application.

All applications:

Copies of financial statements are required with each application. The financial statements are used to verify sources of funding and to complete financial analysis. Please provide audited financial statements when possible. If audited financial statements are not available, please provide financial operation statements including a balance sheet (listing assets, liabilities and equity), income statement (listing revenues and expenses for the applicant), statement of cash flows (listing the uses of cash over the prior period) and any notes to accompany the financial statements. If the entity is new, please provide information on the parent company and/or the owners as applicable.

When submitting audited financial statements, it is not necessary to include the previous two years financial statements as audited financial statements include figures from the current period as well the previous period and, thus, provides two years worth of information.

On the forms which involve mathematical calculations: Review the numbers listed on the forms to be sure the totals are accurate. This is a common problem. The specific forms where this is required is the Sources of Revenue Distribution by Percentage, Incremental Revenue and Expense report, Statement of Projected revenue's and expenses [CON-1110(E), CON-1114(E), CON-1118(E)]. Keep in mind that on the forms no decimals are used. Before the application is submitted to the department, be sure to go back through and check the math so that the numbers listed on the application form are accurate.

Projects involving purchases of covered medical equipment: A vendor quote listing the purchase price of the item as well as any terms or conditions of financing is required.

Projects involving purchases of land: Tentative purchase agreement of land must include the price of the property and the terms of sale. If this information is not available, please provide justification to how the price of the land was calculated.

Projects involving leases: A draft copy of the lease agreement specifying the terms of the lease as well as the rent information is required. Capital leases should be recorded as an asset, on the project costs form and an obligation, on the sources of funds form as anticipated funds from future operations. The value listed should be the required lease payment multiplied by the number of payments. On the project cost page, please note the term of lease. For example a 5-year moveable equipment lease would be listed as: "11. Moveable Equipment Lease (5-Year)" on CON-1100(E) page 10/18 or CON-1102(E) page 10/19. Operating leases are not capitalized and should not be listed on the project cost page or sources of funds. The annual lease payment should be reported on CON 1110(E), CON-1114(E) or CON-1118(E) as lease or rent payments.

Projects involving cash as the method of financing: Financial statements showing sufficient funds to cover the cash portion of the sources of funds is required. If the financial statement does not show sufficient funds, please provide a recent bank statement showing that sufficient funds are available.

Projects involving designated or restricted funds: In addition to the requirements for cash financing, justification that the funds have been designated for the purpose specified in the application is required. Generally the notes accompanying the financial statements will specify what the designated or restricted funds may be used for. Other acceptable justification would be a letter from the board of directors or other authorizing boards/executives stating that funds have been designated for the purpose specified in the application.

Projects involving debt financing (bond financing): A letter of support from a financial institution specifying their interest in financing the project is required.

Also, please provide information relating to the interest rate, term of the debt, and repayment.

Two example letters of support have been provided as an attachment to the end of this document.

Amendment Applications:

Supplemental information including the sources of funding for the amendment. The current form only provides one section for both project costs and funding sources. Please be sure to include information on both costs and funding.

If the project involves additional costs and new audited financial statements are available (new since the original CON application), please submit a copy with the amendment.

Form CON-1110(E) – Page 7 of 7 Information:

Please note: The information provided on this page of the form should agree with the data listed on the Hospital Utilization Form CON-1108(E). Specifically the following items (from CON-1110(E) page 7 of 7):

25a. No. of Licensed Beds agree with line 1 on form CON-1108(E)

26. Patient Days agree with line 5 on form CON-1108(E)

27. Occupancy Level agree with line 3 on form CON-1108(E)

29. Outpatient Visits agree with line 6 on form CON-1108(E)

Form CON-1110(E) – Formulas for calculation Average Charge and Average Costs figures on page 7 of 7:

Average Charge Per Inpatient Day (Line 30):

(Inpatient Routine (Line 1) plus Inpatient Ancillary (Line 2)) divided by Patient Days (Line 26) – data for patient days should flow from Hospital Utilization Form CON-1108(E).

Average Charge Per Outpatient Visit (Line 31):

Outpatient Visit Revenue (Line 3) divided by Outpatient Visits (Line 29).

Average Cost per Inpatient Day (Line 32):

[Inpatient Percentage of Total Revenue (Inpatient Routine (Line 1) plus Inpatient Ancillary (Line 2) divided by Total Patient Revenue (Line 4)) multiplied by Total Operating Expenses (Line 23)] divided by Patient Days (Line 26).

Average Cost per Outpatient Visit (Line 33):

[Outpatient Percentage of Total Revenue (Outpatient Visit Revenue (Line 3) divided by Total Patient Revenue (Line 4)) multiplied by Total Operating Expenses (Line 23)] divided by Outpatient Visits (Line 29).

Form CON 1118(E) – Formulas for calculating average charge and cost figures on page 3 of 5:

Average Charge Per (Visit/Case/Procedure/Etc) (Line 22):

Revenue (Line 1) divided by Number of (Cases/Procedures/Visits) (Line 21)

Average Cost per (Visit/Case/Procedure/Etc.) (Line 23):

Total of Expenses (Line 19) divided by Number of (Cases, Procedures, Visits) (Line 21)

Example Letter 1 – Letter of Support – Bank – on bank letterhead

Date

Name of Applicant / or Financial Analyst – Department of Community Health

Address

City, State, Zip

Dear (Name)

This letter is to confirm that (name of applicant) are long-term, valued customers of (Bank Name). We understand that (name of applicant) is seeking financing to be used for (purpose of proposed project).

Based on financial information available to (Bank Name) as of this date, financing would be available to (name of applicant). This representation is based on certain current assumptions, including but not limited to, 1. No material change in financial condition 2. availability of support and collateral acceptable to (bank name) in its sole discretion.

The specifics of the proposed financing are as follows: a loan in the amount of (dollar value of loan amount) with proposed amortization (amortization period – number of years), (terms of financing). We are proposing an interest rate equal to (interest rate). The applicable rate will be determined prior to closing.

If you have any questions, please feel free to contact me at the number listed below.

Sincerely,

(bank representative signature)

(title)

(contact info)

Example Letter 2: Letter of support – on financial institution letterhead

Date

Name of Applicant / or Financial Analyst – Department of Community Health

Address

City, State, Zip

Dear (Name),

Please be advised that (financial institution name) would be happy to entertain financing in the name of (applicant name) based on the following parameters:

- Up to a (maximum dollar amount available) credit facility
- Up to (maximum term) month term
- Interest rate: (interest rate)
- Loan fee of (fee for loan)
- Satisfactory collateral evaluation
- Satisfactory credit analysis
- Credit facility to be personally guaranteed by (name of guarantee)
- Federal tax returns including all K-1s and an updated personal financial statement are to be submitted to (financial institution) annually

Please review the aforementioned parameters. Once we have received a complete loan package, we will conduct our formal credit review. Should you have any questions, please call me at (phone number).

Thank you for considering (financial institution name) and we look forward to servicing your financial needs.

Sincerely,
(representative signature)
(title)
(contact info)